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Date:

October 11, 2007

Legend

Acquiring =

Target =

Segment A =

Segment B =

State A =

Date 1 =

Dear

This letter responds to your July 17, 2007 request for rulings regarding certain federal income tax consequences of a proposed transaction. The information submitted in that letter and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayers and accompanied by penalties of perjury statements executed by the appropriate parties. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

Summary of Facts

Acquiring is a State A mutual life insurance company that is the common parent of a life/nonlife consolidated return group. Acquiring operates the Segment A business. It uses the reserve and accrual methods of accounting and files a calendar year tax return. Acquiring does not have authorized capital stock. Rather, the proprietary interests are vested in its Members. The Members are Acquiring's policyholders and participation in Acquiring is obtained through proprietary interests held by such Members. Acquiring's proprietary interests are conferred by State A law, and the Articles of Incorporation and Bylaws. Acquiring's Members have the right to vote for directors, to share in distributions of surplus, and to share in the value of assets upon liquidation.

Target is a State A mutual life insurance company that is the common parent of a life/nonlife consolidated return group. Target operates the Segment B business. It uses the reserve and accrual methods of accounting and files a calendar year tax return. Target does not have authorized capital stock. Rather, the proprietary interests are vested in its Members. The Members are Target's policyholders and participation in Target is obtained through proprietary interests held by such Members. Target's proprietary interests are conferred by State A law, and the Articles of Incorporation and Bylaws. Target's Members have the right to vote for directors, to share in distributions of surplus, and to share in the value of assets upon liquidation.

Proposed Transaction

Acquiring and Target operate various lines of insurance businesses. For what are represented to be valid business purposes, Acquiring proposes to acquire all of Target's assets and liabilities in a statutory merger (the "Merger"). The Merger will take place on Date 1. The Target Members will not have any right to receive cash in the Merger.

It is anticipated that there may be real property taxes incurred as a result of the Merger that are legally owed by the Target Members. These real estate transfer taxes are likely to be imposed, if any, under state law. Under the Merger documents, any real estate transfer taxes arising as a result of the Merger will be paid by Acquiring, even though the tax may be owed by the Target Members.

As a result of the Merger, the outstanding policies of Target will become policies of Acquiring by operation of law. Target's Members will receive proprietary interests in Acquiring which will be the same voting and liquidation rights as other Acquiring Members. They will also have the right to share in any distributions.

Representations

The following representations have been made regarding the Proposed Transaction:

(a) The fair market value of the Acquiring proprietary interest received by each Target Member will be approximately equal to the fair market value of the Target proprietary interest surrendered in the exchange.

(b) At least 40% of the proprietary interest in Target will be exchanged for Acquiring proprietary interest and will be preserved (within the meaning of Treas. Reg. section 1.368-1(e)).

(c) Acquiring has no plan or intention to reacquire any of its proprietary interests issued in the transaction.

(d) Acquiring has no plan or intention to sell or otherwise dispose of any of the assets of Target acquired in the Proposed Transaction, except for dispositions made in the ordinary course of business or transfers described in section 368(a)(2)(C) of the Code.

(e) The liabilities of Target assumed by Acquiring and the liabilities to which the Target assets are subject were incurred by Target in the ordinary course of its business.

(f) The total fair market value of the assets transferred to Acquiring by Target in the Merger will exceed the sum of (i) the amount of liabilities assumed (within the meaning of section 357(d)) by Acquiring in connection with the exchange, (ii) the amount of any liabilities owed to Acquiring by Target that are discharged or extinguished in connection with the exchange, and (iii) the amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under section 361(a) without recognition) received by Target in connection with the exchange. The fair market value of the assets of Acquiring will exceed the amount of its liabilities immediately after the Merger.

(g) Following the Proposed Transaction, Acquiring will continue the historic business of Target or use a significant portion of Target's historical business assets in a business.

(h) Acquiring, Target, and Target Members will pay their respective expenses, if any, incurred in connection with the transaction, except it is anticipated that real property transfer taxes, if any, incurred by the Members in connection with the Merger will be paid by Acquiring.

(i) There is no intercorporate indebtedness existing between Target and Acquiring that was issued, acquired, or will be settled at discount.

(j) Acquiring and Target are not investment companies as defined in section 368(a)(2)(F)(iii) and (iv).

(k) Target is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).

(l) The total adjusted basis and the fair market value of the assets of Target transferred to Acquiring will equal or exceed the sum of the liabilities assumed by Acquiring, plus the amount of liabilities, if any, to which the Target assets are subject.

(m) All terms of the life insurance, annuity, and other insurance contracts issued by Target, including the face values, insurance in force, and borrowing items, will be the same before and after the Merger in which Acquiring assumes the liabilities with respect to such contracts.

(n) The Merger will not constitute a “reverse acquisition” under Treas. Reg. section 1.1502-75(d)(3)(i).

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows regarding the Proposed Transaction:

(1) The Merger of Acquiring and Target, as described above, will qualify as a reorganization within the meaning of section 368(a)(1)(A) of the Code. Acquiring and Target will each be “a party to a reorganization” within the meaning of section 368(b).

(2) No gain or loss will be recognized by Target upon the transfer of Target assets to Acquiring in exchange solely for proprietary interests in Acquiring and the assumption of Target liabilities by Acquiring (sections 361(a) and 357(a)).

(3) No gain or loss will be recognized by Target upon the transfer of the proprietary interests in Acquiring to the Target Members (section 361(c)).

(4) No gain or loss will be recognized by Acquiring on the acquisition of Target’s assets in exchange for the assumption of Target’s liabilities and the proprietary interests of Acquiring (section 1032(a)).

(5) No gain or loss will be recognized by a Target Member on the exchange of its Target proprietary interest for an Acquiring proprietary interest (section 354(a)). A Target Member will recognize gain equal to the amount, if any, of real property transfer

taxes incurred by the Target Member in connection with the Merger and paid or assumed by Acquiring (section 356(a)(1)).

(6) The basis of a Target proprietary interest immediately before the Merger is zero (Rev. Rul. 71-233, 1971-1 C.B. 113; Rev. Rul. 74-277, 1974-1 C.B. 88)). The basis of the Acquiring proprietary interest received by a Target Member in exchange for its proprietary interest in Target will be zero (section 358(a)).

(7) The holding period of a proprietary interest in Acquiring received by a Target Member will include the period during which the proprietary interest exchanged therefor was held, provided the proprietary interest was held as a capital asset on the date of the Merger (section 1223(1)).

(8) Acquiring will succeed to and take into account the items of Target described in section 381(c), subject to the provisions and limitations specified in sections 381, 382, 383, and 384 and regulations thereunder (section 381(a)).

(9) For the first tax year ending after the date of transfer, pursuant to the reorganization, (i) Acquiring will include in its reserves at the beginning of such year, for purposes of section 807(a) and (b), the ending balances of the reserves described in section 807(c) that Target held immediately before the transfer, and (ii) Acquiring will not take into premium income under section 803(a)(1) any amount with respect to Target assets transferred to Acquiring in connection with the Merger.

(10) For the tax year ending on the close of the date of transfer (within the meaning of Treas. Reg. section 1.381(b)-1(b)), pursuant to the reorganization, (i) Target will include in its reserves as of the close of such year, for purposes of section 807(a) and (b), the ending balances of the reserves described in section 807(c) that Target held immediately before the transfer, and (ii) Target will not be entitled to a deduction under section 805(a)(6) for transferring assets to Acquiring as consideration for the assumption by Acquiring of liabilities under Target's annuity and insurance contracts.

(11) Acquiring will not include in net premiums under section 848(d)(1) any amount with respect to Target's assets transferred to Acquiring in consideration of the assumption by Acquiring of liabilities under Target's "specified insurance contracts" (within the meaning of section 848(e)). Further, Target will not be entitled to reduce its net premiums under section 848(d)(1) for the transfer of assets to Acquiring in consideration of the assumption by Acquiring of liabilities under Target's "specified insurance contracts" (within the meaning of section 848(e)). Pursuant to sections 381(c)(4) and 381(c)(22), Acquiring will succeed to any capitalized balances of "specified policy acquisition expenses" (within the meaning of section 848(c)(1)) as determined by Target under section 848(c)(1) on the date of transfer, and such balances will continue to be amortized by Acquiring under Target's amortization

schedule.

(12) The assumption by Acquiring, pursuant to the Merger, of liabilities under the contracts issued by Target will have no effect on the date each life insurance and annuity contract was issued, entered into, purchased, or came into existence for purposes of sections 72(e)(4), 72(e)(5), 72(e)(10), 72(e)(11), 72(q), 72(s), 72(u), 72(v), 101(f), 101(j), 264(a)(3), 264(a)(4), 264(f), 7702, and 7702A. Moreover, Acquiring's assumption will not require retesting or the starting of new test periods under sections 264(d)(1), 7702(f)(7)(B)-(E), and 7702A(c)(3)(A).

Caveats

No opinion is expressed about the tax treatment of the Proposed Transaction under other provisions of the Code or the Income Tax Regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings.

Procedural Statements

This letter is directed only to the taxpayers who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this letter ruling

In accordance with the power of attorney on file in this office, a copy of this ruling letter is being sent to your authorized representatives.

Sincerely,

Lewis K Brickates
Branch Chief, Branch 4
Office of Associate Chief Counsel (Corporate)